Managed Risk Medical Insurance Board
January 18, 2006

Board Members Present:	Cliff Allenby, Areta Crowell, Ph.D., Virginia Gotlieb, M.P.H., Sandra Hernández, M.D.
Ex Officio Members Present:	None
Staff Present:	Lesley Cummings, Denise Arend, Laura Rosenthal, Vallita Lewis, Janette Lopez, Tom Williams, Renee Mota-Jackson, Ernesto Sanchez, Sarah Soto-Taylor, Mary Anne Terranova, Angela Foreman, JoAnne French

Chairman Allenby called the meeting to order and recessed it for executive session. At the conclusion of executive session, the meeting was reconvened.

REVIEW AND APPROVAL OF MINUTES OF DECEMBER 14, 2005, MEETING

A motion was made and unanimously passed to approve the minutes of the December 14, 2005, meeting.

[Note: Major Risk Medical Insurance Program (MRMIP) items were taken out of sequence.]

MAJOR RISK MEDICAL INSURANCE PROGRAM (MRMIP) UPDATE

Enrollment Report

Sarah Soto-Taylor reported that as of January 1, 2006, there were 9,230 people enrolled in the program, with 59 people on the waiting list, all of whom are serving the post-enrollment waiting period. The new enrollment cap for the program has been increased to 10,227. The total number of disenrollments to date pursuant to AB 1401 was 11,702.

Legislative Analyst's Office Report on Graduate Program (AB 1401, Thomson)

Lesley Cummings stated that the "graduate" program is a pilot project subject to sunset September 2007. Under this program, subscribers are limited to 36 months of coverage in MRMIP and then have a guaranteed right to purchase similar coverage from insurers/plans in the individual market. Ms Cummings introduced Dan Carson, Director of the health section of the Legislative Analyst's Office (LAO), who was in attendance to present the results of a recently complete evaluation of AB 1401.

Dan Carson said that as the lead analyst on MRMIB, he and his colleague, Michelle Baass, also in attendance at the meeting, had conducted an evaluation on AB 1401 components, as required by that legislation. He described the particulars of the evaluation as specified in AB 1401. He emphasized that the evaluation results are preliminary because additional information, important for a full evaluation, was not available during the timeframe for preparation of the report. He noted that MRMIB had released updated financial information on expenditures in the post-MRMIP products since the evaluation was completed and that MRMIB would also be issuing the results of a survey of persons who had been disenrolled from MRMIP after reaching 36 months of coverage. The findings are summarized on page 10 of the report. These include: (1) noting a drop in MRMIP enrollment associated with the 36 month limit; (2) a corresponding elimination of the waiting list as spots became available in MRMIP; (3) an overall increase in the state's capacity to serve the medically uninsured which resulted from increased funding of insurer contributions; (4) anecdotal information that graduate rates might be unaffordable; (5) a decrease in the average age of a MRMIP subscriber; (6) higher total costs for persons served in post-MRMIP coverage than for MRMIP; and (7) insufficient information to make conclusions of the impact on the market rules also enacted by AB 1401. There are many questions that still need answers. The LAO will continue to review additional data from MRMIB, as well as look at other states' programs, in their goal to guide the legislature on whether to extend the project and/or restructure it.

Mr. Carson discussed some options for of the ways of dealing with the affordability issues, such as establishing high deductibles for coverage in conjunction with health savings accounts, providing greater subsidies for lower income people and assessment of the value of a disease management program.

Chairman Allenby noted that even though the average age of the MRMIP population has dropped, the breakdown in gender remains female dominated. Dr. Hernández asked if there was any significant difference between the younger and older populations. Mr. Carson replied the difference depends on the nature of chronic diseases, but the legislature had not requested the LAO to obtain that information. Ms. Cummings added that the California HealthCare Foundation (CHCF) funded a survey of the graduates which will be presented at the March 22 meeting. The survey will include data on the income of subscribers, whether they elected to obtain coverage, whether they sustained coverage if they elected it and their medical conditions. The report will also include information on a survey recently conducted of MRMIP subscribers.

Dr. Hernández suggested that in order to know whether disease management would be helpful the types of diseases this population has would need to be known. Mr. Carson said the LAO does not have a specific model in mind, but wanted to learn more about strategies used by other programs in this regard. Ms. Cummings noted that information on the types of diseases MRMIP subscribers have would be available in the report that will be made on March 22. Chairman Allenby commented that MRMIP subscribers tend to be higher income. Ms. Cummings remarked that data on this issue will also be

provided in the March 22 report, but that in past surveys the number of low income subscribers had been surprising. The Board thanked Mr. Carson for his report.

Fiscal Overview of Post MRMIP Program

Denise Arend presented data on enrollment in post-MRMIP guaranteed coverage and costs from September 2003 through June 2005. This data showed cumulative enrollment data (member months) by month, projected subsidies by the state and health plans, cumulative claims by each health plan, and subscriber premiums. It showed that, given the number of member months available in the graduate program, a little over 67% were "taken up" by subscribers whose coverage in MRMIP ended due to the 36 month limit. As of June 2005 the cumulative number of graduates who reached the 36-month limit was 11,510. It also showed enrollment in 4 plans, all plans that participate in MRMIP, with over 67% of subscribers enrolled in one plan, Blue Cross. Plan subsidies for coverage were thus also concentrated in these plans, with Blue Cross paying the most (86% of amounts paid by plans). Ms. Cummings added that the subscriber pays a set amount with the cost over that amount being split between the health plans and the state.

Principles for Legislation on Coverage for Medically Uninsurable Persons

Ms. Cummings said this will be an important year for redefining how the high risk population is served in California. MRMIP was started 15 years ago with $30 million in Prop 99 funds, an amount that has been increased to $ 40 million over time. Those funds have been stretched as far as they can go. AB 1401 allowed the state to serve more subscribers by providing for health plan subsidies for coverage—but this feature is sunsetting and will be revisited this legislative session.

She suggested that the Board adopt principles to guide its position on legislation and detailed principles staff suggested. These include:

- Enrollment should not be limited by capped funding.
- A mechanism needs to be in place to make the public aware of the availability of coverage.
- The program should promote consumer choice of health plans.
- The structure of the program should not provide health plans with a disincentive to participate.
- Coverage should be affordable.
- Benefits should be compatible with the medical needs of the population and not deter from utilization of services.

Ms. Cummings asked the Board for comments on the principles. The Board requested that the first and fourth principles be rephrased as positive statements. Ms. Cummings expressed her concern that rephrasing the fourth principle in the affirmative would not address the structural problem of AB 1401 that has concentrated plan subsidies in

MRMIP plans generally and Blue Cross in particular. Ms. Gotlieb underscored Ms. Cummings' concern that there needs to be broader participation by health plans.

There was discussion about defining what affordability means for a high risk pool, which cannot come close to the affordability of the Healthy Families Program. Staff is reviewing rates and benefits of high risk pools in other states. Dr. Crowell suggested the premiums be on a sliding scale based on income.

The Board concluded it would defer taking action on the proposed principles to allow time for input from the public. Chairman Allenby asked if there were any further questions or comments from the audience; there were none.

Dr. Crowell asked Dan Carson to comment on the principles. Mr. Carson agreed with the goal of making premiums affordable, especially if the survey determines that is an issue. He also agreed with the idea of a sliding scale; some states to set rates according to income. He said a lot of work needs to be done to come up with a viable design. There are also budget issues. This year is not too bad, but the next fiscal year looks dismal. Dr. Crowell pointed out that there is much literature indicating there are savings with good disease management and behavioral changes. Dr. Hernández suggested that staff in conjunction with the LAO obtain more information about health savings accounts.

STATE BUDGET UPDATE

Tom Williams gave highlights of the Governor's 2006-07 budget as it affects MRMIB. The budget proposes funding of $1,217 billion and 88.7 positions. This represents an increase of $91.8 million and approximately 10 positions above the revised 2005 Budget Act.

The proposed budget fully funds all three of MRMIB's programs and includes additional funding to cover projected growth. It also includes proposals in the budgets for MRMIB and Department of Health Services (DHS) to enroll all children who are eligible but not yet enrolled in HFP and Medi-Cal.

The additional staffing for MRMIB would enable it to increase oversight of mental health services associated with Proposition 63 for HFP enrollees, address current and anticipated workload, and streamline the enrollment process, including the electronic application (Health-E-App). The overview included a table showing MRMIB's funding for the prior year, current year, and budget year.

Detailed information on MRMIB's budget for 2006/7 is available on the MRMIB website, www.mrmib.ca.gov.

STATE LEGISLATIVE UPDATE

State Bill Summary

Laura Rosenthal introduced Mary Anne Terranova, MRMIB's new Legislative Coordinator. Ms. Terranova worked for MRMIB for several years in the Eligibility Division before taking this position. Ms. Terranova reviewed the bills staff has been tracking that have either been amended or had some action taken since the last meeting.

AB 1401 (Thomson)

Chairman Allenby said this topic has already been covered extensively in agenda item 10, the MRMIP update.

FEDERAL LEGISLATIVE UPDATE

Ms. Rosenthal reported that legislation is still pending that would continue the possibility for funding state high risk pools through federal fiscal year (FFY) 2010 and amend the criteria in such a way that California could qualify for funding. The federal budget reconciliation package, which is awaiting final action in early February, includes $90 million in high risk pool funding for FFY 2006. Additionally, both the senate and the house have passed nearly identical bills that amend the funding.

HEALTHY FAMILIES PROGRAM (HFP) UPDATE

Enrollment and Single Point of Entry (SPE) Reports

Ms. Soto-Taylor reported that there are 736,776 children enrolled in HFP as of January 13, 2006. She reviewed enrollment data for the month of December.

Administrative Vendor Performance Report

Ms. Soto-Taylor presented the administrative vendor (AV) performance reports for HFP and SPE for the months of November and December 2005. MAXIMUS is the AV for these programs. In both months MAXIMUS met all seven performance standards for HFP and all four performance standards for SPE pursuant to the measures contained in its contract.

Appeals Workload Status

Janette Lopez reviewed the definition of first level appeals, second level appeals, and program reviews (defined by statute). There are approximately 1400 cases on backlog, a reduction of 25% since August 2004. Of these cases, 79.6% are program reviews (as opposed to formal appeals). Staff works half their time on new cases and half their time on old cases. Since August, staff has completed 1400+ cases, half of which were new

cases and half from the backlog. Staff continues to work overtime every other weekend to address the backlog. With the assistance of the AV, new cases have declined by 40%. While there are six more employees than last year, the Eligibility Division continues to be challenged with management and staff turnover. Ms. Lopez noted that Eligibility staff has many other functions to perform in addition to appeals and enumerated many tasks staff has completed in addition to reducing the backlog. Dr. Hernández commended staff for their tremendous efforts, and asked how the backlog is prioritized. Ms. Lopez replied that the oldest cases are worked on first. Some of them are very complex; 80% involve medical expenses. Dr. Crowell asked for Ms. Lopez' estimate of when the backlog would be completed. Ms. Lopez replied that she expected to be through the backlog by June or July 2006.

Open Enrollment Update

Ms. Lopez reported that because more time is needed for the development of switching to the CalPERS' model of sending postcards instead of open enrollment packets, this process will be implemented in 2007 instead of 2006.

Report on Findings of Centers for Medicare and Medicaid (CMS) April 2004 Site Visit

Ms. Lopez reviewed a recent report issued by the Centers for Medicare and Medicaid Services (CMS) on HFP eligibility determinations, the enrollment process, and coordination between HFP and Medi-Cal. CMS was impressed with the paperless work environment at MAXIMUS, the fact that case notes made by staff were accessible by all staff, including phone operators, practices that minimize errors in processing applications, and that the eligibility rules assure accuracy and consistency. This is especially good news since the site visit was in April 2004 during the administrative vendor transition. Ms. Lopez discussed one of the concerns CMS highlighted in its report, noting that many children go through the CHDP gateway but few actually enroll in either HFP or Medi-Cal. The California Endowment recently formed focus groups to gain an understanding of why children are not getting enrolled.

Rural Health Demonstration Project – Award of Projects for 2005-06 and 2006-07

Renee Mota-Jackson reviewed the process and criteria staff used in evaluating the proposals submitted for the Rural Health Demonstration Project. She asked the Board to approve staff's recommendation for 14 projects at a cost of $1,940,054 for fiscal year 2005-06 and $5,727,707 for fiscal year 2006-07. A motion was made and unanimously passed to approve the recommended projects. The projects will begin on March 1, 2006, and extend through June 30, 2007.

The California Children's Services (CCS) Status Report

The CCS status report provides an annual update on the number of HFP children who receive services through county programs and the dollars spent for these services.

Ms. Mota-Jackson summarized the report for fiscal year 2004-05. This report can be found on MRMIB's website at www.mrmib.ca.gov in the HFP special reports section.

Dr. Hernández inquired about the decrease in the average cost per case when there was an increase in joint disorders, suggesting that costs of other conditions decreased. Vallita Lewis, Deputy Director for Benefits and Quality Monitoring, replied that last year there was a significant increase in coagulation disorders which declined by approximately 30% this year. Dr. Hernández said it is interesting to note that there has been an increase in diabetes overall, but a decline in expenditures for CCS

HEALTHY KIDS BUY-IN UPDATE

Ernesto Sanchez provided an update on activities that occurred in January, referring to the work plan and timeline for the buy-in. Staff is continuing to work on the CCS issue. Health plans are concerned about assuming the risk of bearing the costs for CCS. The California Endowment is sponsoring an actuarial study that is being conducted by PricewaterhouseCoopers (PwC). PwC is still gathering data from health plans and DHS in order to complete its analysis. Due to the CCS issues, the implementation date of July 1, 2006, will be delayed. Ms. Cummings added that until the CCS issue is resolved, the buy-in will not have the health plan participation it needs.

ACCESS FOR INFANTS AND MOTHERS (AIM) UPDATE

Enrollment Report

Ms. Soto-Taylor reported that as of the end of December 2005 there were 6,428 women and 6,499 infants enrolled in the program. She reviewed the enrollment data for the month of December.

AIM Contract Amendment Package for 2006-07

Ms. Arend requested approval of the contract amendment package. The package contains two minor changes in contract language. The rates for the contract amendment will be presented in April. A motion was made and unanimously passed to approve the contract amendment package as presented.

There being no further business to come before the Board, the meeting was adjourned.